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T H E H O G S I T U A T I O N

Summary

The Bureau of Agricultural Economics reports little change in the hog outlook during the past month. As indicated in the July issue of the Hog Situation, supplies for market in the 1938-39 marketing year, which begins in October, will be considerably larger than those of present marketing year. But the effects of these larger supplies upon hog prices will be offset, at least in part, by improvement in consumer demand for meats.

The seasonal increase in hog marketings from late summer to early winter probably will be fairly large, but it may be relatively less than that which occurred from August through January last year, when there was a marked weakness in consumer and storage demand for hog products. Demand for hog products this fall and winter probably will improve from present levels. Consequently, it is expected that the seasonal decline in hog prices during the next few months will be much less than the sharp drop in prices which occurred from September through December last year.

Hog prices in mid-July reached the highest level since last October but then declined, with a fairly sharp break during the second week of August. Slaughter supplies of hogs in July were much larger than a year earlier but slightly smaller than in June. Market receipts of hogs increased moderately in early August, and it is reported that in recent weeks supplies have included a relatively large number of late winter and early spring pigs. Apparently the market movement of spring pigs this year is getting under way somewhat earlier than usual.

Farm Income From Hogs

A report on "Farm Income from Hogs, calendar years 1909-37" recently was released by the Bureau of Agricultural Economics. This is one of a series of commodity income reports. Estimates of income from hogs, by States, are given for the years, 1924-37. Copies of this report are available upon request to the Bureau.

REVIEW OF RECENT DEVELOPMENTS

BACKGROUND.- Thus far in the present marketing year, which ends September 30, the total live weight of hogs marketed has been about the same as that of a year earlier. Although the number of hogs marketed has been somewhat smaller, average weights have been heavier. Hog prices in the first 3 quarters of the current year (October through June) averaged considerably lower than in the same period last year, reflecting the less favorable consumer demand for meats than in 1936-37. After advancing last summer to the highest level in nearly a decade, prices declined sharply from mid-August to mid-December, as a result of a large seasonal increase in marketings, and weakness in consumer and storage demand for hog products. Prices advanced moderately from late January to early March and then declined until about mid-May. Hog prices rose during the last half of May and were steady during June.

Hog prices in mid-July highest since October 1937

Prices of hogs rose moderately in the first half of July, but weakened somewhat near the end of that month and broke fairly sharply in early August. In mid-July the weekly average price of butcher hogs at Chicago of about \$9.65 was the highest since late October 1937. The weekly average price of all hogs sold at Chicago in mid-July, however, was lower than in early March chiefly because of the much larger number of packing sows in the market receipts in July than in March. During June and most of July the spread between prices of butcher hogs and prices of sows widened materially as it usually does in the summer when the proportion of sows in the marketings is the largest for the year. But by early August this spread had been reduced somewhat.

The drop in hog prices since mid-July probably reflects the weakened demand for pork occasioned by the relatively high temperatures prevailing over most of the country in late July and early August, and by the moderate but contra-seasonal increase in receipts of hogs at the leading markets in the past 2 or 3 weeks.

July hog slaughter much larger than a year earlier

Hog marketings in July were seasonally smaller than in June, but inspected slaughter of hogs, totaling 2,254,000 head, was about 600,000 head larger than in July last year. Marketings of packing sows increased seasonally during the month, but the proportion of the total market supplies represented by sows was smaller than a year earlier. Despite the smaller proportion of sows in the market receipts compared with July last year, the number of sows marketed in the past month was larger than a year earlier because of much larger total marketings.

Market reports indicate that a considerable number of pigs farrowed in the late winter and early spring have been marketed in recent weeks. Many of such pigs have been marketed at desirable market weights and finish. Such a movement of pigs is rather early, and it indicates that the market movement of spring pigs is getting under way somewhat earlier than usual.

Hog-corn price continues favorable for hog feeders

Corn prices strengthened somewhat in the first half of July, but declined sharply in early August. The drop in corn prices, however, was accompanied by a decline in hog prices, with the result that hog-corn price ratio changed very little. Based on Chicago prices, the ratio for July was about 14.7 compared with 9.8 in July last year and the long time average of 11.4.

August 1 storage stocks of pork and lard near record low levels

Storage stocks of pork were reduced seasonally in July, and lard stocks also were reduced during the month. Stocks of pork on August 1, totaling 379 million pounds, were the second smallest for that date in the 23 years of record and 88 million pounds smaller than on August 1 last year. Storage holdings of lard on August 1 amounted to about 124 million pounds and were 33 million pounds less than those of a year earlier. With hog slaughter in August and September likely to be considerably larger than a year earlier, storage holdings may not be reduced as much in those months as they were last year. Hence, at the beginning of the new hog marketing year on October 1 the total quantities of pork and lard in storage probably will be near record low levels; but these stocks may be little, if any, smaller than on October 1 last year. The increase in available supplies of hog products in the coming fall and winter over a year earlier, therefore, will be derived from the increase in hog slaughter in that period.

Storage holdings of pork and lard on the first of the month, specified months

Month	: 5-year average:					
	: 1929-30 to :		1936-37		: 1937-38	
	: 1933-34					
	: Pork	: Lard	: Pork	: Lard	: Pork	: Lard
	: Mil.lb.	: Mil.lb.	: Mil.lb.	: Mil.lb.	: Mil.lb.	: Mil.lb.
Oct.	530	109	362	102	283	73
Jan.	565	72	667	146	399	54
Apr.	731	105	756	217	544	121
July	713	150	578	135	418	126
Aug.	692	158	467	157	1/379	1/124

1/ Preliminary.

Exports of pork and lard continue larger than year earlier

In every month thus far in the present hog marketing year, which began last October, exports of both pork and lard have been larger than in the corresponding month a year earlier. Pork exports in June, totaling 8.5 million pounds, were about 65 percent larger than a year earlier, and lard exports of 17.2 million pounds were nearly double those of June last year. Imports of pork, on the other hand, have been substantially reduced thus far in the present year. In June imports of pork totaled 4.8 million pounds, or about 2.8 million less than in June last year.

With prospects for larger supplies of hogs in the coming marketing year, it is expected that exports of pork and lard will increase somewhat and that imports of pork will continue to decrease. The European demand for American hog products in the coming year may be strengthened somewhat as a result of the prospective reduction in hog slaughter in several European countries.

OUTLOOK

The prospects for supplies and prices of hogs for the coming marketing year have not changed much during the past month. The following statement, therefore, is largely a summary of the hog outlook statement given in the July issue of "The Hog Situation."

Larger marketings expected in 1938-39

With the spring pig crop considerably larger than that of last year and indications that the fall pig crop also will be larger, it is expected that market supplies of hogs in the marketing year beginning in October will be materially larger than in the present marketing year. The spring pig crop is normally marketed mostly in the fall and winter months, hence marketings in the period from October through April will be considerably larger than in the corresponding months of 1937-38.

Prospects for hog prices in 1938-39

The level of hog prices in 1938-39 will depend partly on market supplies and partly upon the level of consumer demand for meats. As already indicated hog marketings in the 1938-39 marketing year will be materially larger than in the present year. It is probable, however, that the consumer demand for meats will average stronger than in 1937-38, but in the early months of 1938-39 it may be weaker than a year earlier and improve as the year progresses. Storage and export demand for hog products next winter may be better than a year earlier. The effect on hog prices of the increase in supplies will be offset, at least in part, by the improvement in demand conditions. But unless the improvement in consumer demand is greater than now expected, hog prices in 1938-39 will average lower than in 1937-38.

The domestic demand for hog products weakened considerably after the late summer of last year. This was a reflection of the sharp drop in consumer income. From August 1937 through May 1938, incomes of industrial workers were reduced about 30 percent. At the present time there are indications of recovery in industrial activity, employment and pay rolls. A marked improvement in the consumer demand for hog products, however, may not occur until after the beginning of 1939. The demand for lard in 1938-39 may be somewhat better than in 1937-38, since total supplies of cottonseed oil for the coming year probably will be somewhat smaller than for the present year.

Seasonal changes in prices and marketings

It was indicated in the July issue, and in earlier issues, of this report that the seasonal distribution of slaughter supplies of hogs in the 1937-38 marketing year, which began last October, had been rather unusual in view of existing conditions of feed supplies and prices. The significance of the differences in the seasonal distribution of marketings from year to year is that they affect the changes in hog marketings from month to month and are a rather important factor affecting the changes in hog prices within the year.

In most years when feed supplies are abundant and the hog-corn price ratio high, marketings in the first quarter (October-December) usually have been a relatively small proportion of the marketing year total. In some of these years, also, market supplies in the second quarter exceeded supplies in the first quarter, whereas in most years they are about the same. Despite the fact the hog-corn price ratios have been high and feed supplies have been plentiful in the past year, market supplies of hogs in the first quarter probably represented about an average percentage of the yearly total and they were no smaller than in the second quarter (January-March).

There are at least two reasons for the seasonal distribution of hog marketings in 1937-38 being different from that of other years when feed conditions were similar. During the summer of 1937 when feed supplies were very short a large number of hogs, mostly 1936 fall pigs, were held over for finishing on new crop grains and were marketed after October 1, 1937. Under more normal conditions most of these hogs would have been marketed before October 1 and would have been included in the slaughter for the last quarter of 1936-37 rather than in the first quarter of 1937-38. Another reason may have been the unusually marked price discrimination against heavy hogs last fall. This may have caused farmers to market hogs when they reached desirable market weights instead of delaying marketings in order to feed to heavy weights as they have done in the past when the hog-corn price ratio was high. Thus it seems probable that hog marketings in the first quarter of 1937-38 were increased by the marketing of large numbers of hogs that normally would have been marketed in the summer of 1937 and by the fact that spring pigs were finished for market more rapidly than in other years when conditions of feed supplies and feed prices were similar.

In the coming marketing year beginning October 1, 1938, feed supplies again will be plentiful and the hog-corn price ratio high. The hold-over of old crop hogs for market after October 1, however, will be relatively small this year and much smaller than last year. Apparently old crop hogs are now being marketed fairly closely and a rather early market movement of spring pigs seems to be getting under way. It is possible that many farmers, remembering the severe price decline from September through December last year, are marketing spring pigs as early as possible. Consequently, a fairly large number of hogs that under ordinary conditions would be marketed after October 1 will be marketed before that date this year. This may tend to cause the proportion that marketings in the first quarter of the year are of the 1938-39 yearly total to be relatively small. It is also possible that marketings in the second quarter (January-March) of 1938-39 will be larger than in the first quarter. These developments may cause the seasonal increase in hog marketing this fall to be somewhat smaller than in the fall of 1937 when it was large. Nevertheless, a considerable increase in market supplies of hogs probably will occur in the coming fall months, and this increase probably will be accompanied by a seasonal weakness in hog prices. With prospects for consumer and storage demand more favorable than for last fall and winter, it is expected that the drop in prices will be much less than that which occurred from September through December last year.

Further increase in hog production in 1939 expected

It was stated in the July issue of this report that the number of pigs raised in 1938 probably would be about 12 percent larger than the number raised in 1937. The spring pig crop this year was the largest in 5 years (since 1933) although it was smaller than in any of the 10 years preceding 1934. The rather marked upswing in hog production this year reflects the present low level of production in many areas in conjunction with abundant supplies of feed and the rather high hog prices of the past 9 or 10 months in relation to corn prices. The hog-corn price ratio since last September has been much above average nearly twice as high as that of a year earlier.

On the basis of conditions prevailing about August 1, it was indicated in the August crop report that corn production this year would be about 2,566 million bushels. This is slightly smaller than the crop harvested last year but is above average. The carry-over of old corn will be relatively large, and total supplies of corn and other feed grains for 1937-38 probably will be larger than a year earlier. It is expected, therefore, that the hog-corn price ratio in the coming year will be about as high as it has been in the present year. In view of the large feed supplies and the probable high hog-corn price ratio a further sharp increase in hog production in 1939 seems probable.

Prices of hogs and hog products, specified periods

Item	Unit					Oct.-Sept.		Oct.-July	
		July	June	July	Average				
		1937	1938	1938	1928-29	1935-	1936-	1936-	1937-
					to	36	37	37	38
					1932-33:				
		Dollars:							
Average price:	per 100:								
Seven markets	pounds	11.37	8.40	8.56	<u>1/</u>	9.64	10.28	10.07	8.39
Chicago	do.	11.57	8.52	8.60	6.99	9.90	10.49	10.27	8.55
U. S. average price									
received by farmers...	do.	10.70	8.00	8.56	6.48	9.15	9.66	9.39	8.09
Prices of hog products,									
Chicago:									
Loins, 8-10 lb.	do.	28.66	20.64	23.40	17.07	21.21	22.29	21.19	19.29
Hams, smoked, reg.									
No. 1. 10-12 lb.	do.	26.78	23.25	23.62	20.31	26.58	24.65	24.00	23.58
Bacon, smoked, No. 1,									
dry cured, 6-8 lb. ..	do.	29.91	25.55	26.25	23.71	30.86	28.58	27.64	27.32
Lard, refined,									
H. W. tubs	do.	13.62	9.38	9.68	9.68	12.65	13.13	13.15	10.09
Average price of No. 3	Cents								
yellow corn, Chicago...	per lb.	118	57	59	62	74	115	117	58
Hog-corn price ratio: <u>2/</u>									
Chicago	Bushel	9.8	14.9	14.7	11.6	14.1	9.2	8.8	14.7
North Central States:	do.	9.5	17.5	18.0	12.9	15.8	9.5	9.0	17.5
Proportion of packing									
sows in total packer									
and shipper purchases,									
seven markets <u>3/</u>	Percent	40.0	22.0	33.0	<u>1/</u>	16.0	15.0	11.0	10.0
Average weight at									
seven markets	Pound	261	265	272	<u>1/</u>	241	231	227	245

1/ Not available.2/ Number of bushels of corn equivalent in value to 100 pounds of live hogs.3/ Monthly figures computed from weekly averages.

Supplies of hogs and hog products, specified periods

Item	Unit	Oct. - Sept.					Oct.-June		
		Average:							
		June	May	June	1928-29	1935-	1936-	1936-	1937-
		1937	1938	1938	to	36	37	37	38
					1932-33:				
Hog slaughter under	:	:							
Federal inspection:	:	:							
Number slaughtered	: Thou-								
1/	sands	2,110	2,585	2,533	46,363	31,022	34,142	28,877	27,189
Live weight:	:	:							
Average	: Pound	236	235	251	231	232	221	218	231
Total.....	: Mil.lb.	498	608	636	10,723	7,191	7,538	6,284	6,291
Dressed weight:	:	:							
Average	: Pound	175	178	189	175	175	164	162	174
Total.....	: Mil.lb.	369	459	477	8,069	5,402	5,586	4,674	4,718
Yield of lard per	:	:							
100 pounds live	:	:							
weight of hogs....	: Pound	10.5	13.4	12.7	15.2	12.1	10.9	11.3	12.4
Production of lard	: Mil.lb.	52	81	80	1,630	870	833	713	779
Apparent consumption:	:	:							
Pork, including	:	:							
lard 2/.....	: do.	456	482	487	7,171	5,124	5,601	4,299	4,342
Lard	: do.	52	59	61	961	712	756	549	560
Exports: 3/	:	:							
Pork	: do.	5	9	8	211	69	59	45	67
Lard	: do.	10	20	17	657	101	107	82	165
Imports of pork 3/...	: do.	8	4	5	6	32	72	52	45
Proportion of sows in:	:	:							
inspected slaughter	:	:							
4/.....	: Percent	56.4	49.6	55.8	51.2	51.9	51.1	49.8	48.2

1/ Bureau of Animal Industry.

2/ Represents apparent disappearance of federally inspected pork plus unrendered hog fats.

3/ United States Department of Commerce. Pork includes bacon, hams and shoulders, and fresh, canned, and pickled pork. Lard includes neutral lard.

4/ Includes gilts.

